

Bioscience companies deserve improved investment climate

Contributed by Rep. Allyson Schwartz (D-Pa.)
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Both our national security and our ability to continue to assert our nation's economic leadership throughout the world depend in large part on our capacity to build on America's innovation, ingenuity and intellectual capital. Recognizing this reality, Democrats in the House of Representatives have launched our Innovation Agenda. As a New Democrat, I am proud of the New Democrat Coalition's role in shaping this agenda and bringing it to the attention of our House majority.

The Innovation Agenda for America includes ensuring a skilled work force - especially in science, technology and engineering. It means investing in basic science and medical research. And, it means encouraging innovation in the private sector, by enabling businesses to have the financial capacity necessary to take long-term risks. These are important steps we can - and should - take today to help American businesses succeed both now and into the future.

As a New Democrat and a member of the Ways and Means Committee, I believe it is our responsibility to see that federal policies, including tax policies, work to stimulate investment in America's most innovative industries. A strong public-private partnership is an integral part of spurring the cutting-edge breakthroughs that turn good ideas into marketable products.

I am proud to represent a region of the country - southeastern Pennsylvania - that is home to one of America's most innovative business sectors: life sciences. In Pennsylvania there are thousands of scientists, doctors and researchers working on many of the most pressing health issues. These efforts are a substantial reason why America's biotechnology industry is the world leader, with more than 300 therapies already on the market. And there are nearly 400 therapies and vaccines currently under development that have the potential to positively impact the treatment of more than 200 diseases worldwide.

Finding the right cure or the right vaccine is not cheap, nor is it a quick process. On average, it takes over \$1 billion of research and development and more than a decade to bring a new therapy from the scientist's bench to the patient's bedside. Not only do biotechnology companies face great challenges in cost and time, they often run up against tax policies that do not fully reflect the 21st century global marketplace.

Later this month I will introduce the American Life Sciences Competitiveness Act of 2007. This bill will help to improve the investment climate for American bioscience companies by removing existing barriers to R&D and innovation in the federal tax code.

Small bioscience firms may go in the red during the development of a new therapy because they must spend hundreds of millions of dollars in research without seeing any profit. Yet the tax code often restricts the amount of these "net operating losses" that a company can use to offset future profits if it relies on outside investors such as the venture capital or equity markets.

These small companies often rely on universities and other domestic research institutions for assistance in the development process, yet the R&D tax credit limits the tax benefit when a company decides to contract out some of its specialized research needs, even if the research continues to be conducted in the U.S.

My proposal makes targeted improvements to the tax code to address these concerns. It also encourages private investors to consider taking the chance on long-term investments in the life-saving research being conducted by biotechnology and life sciences firms through minor changes to the tax treatment of these investments. This increased private investment will work hand in hand with the federal government's commitments to invest in innovation.

At the center of Democrats' innovation agenda is our belief in the ingenuity of both American workers and American industry. It is our belief that public policy that encourages investments in people and our businesses will enhance our national competitiveness in the global marketplace. The life sciences industry is not only creating economic opportunities here at home, but is developing life-saving medicines and devices that will improve the quality of life for people globally.

It is my hope that through an even more robust public/private partnership we can ensure that American life science companies will continue to lead the world in innovative cures that bring hope to people struggling with illness around the world.

Schwartz is a member of the House Ways and Means Committee.

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